

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **June 11, 2002**

AGENDA ITEM NO.: **15**

CONSENT:

REGULAR:

CLOSED SESSION:
(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Urban Development Action Grant (UDAG) Program Income Loan to Riverviews**

RECOMMENDATION: Forgive repayment of the UDAG Program Income loan given to Riverviews for the acquisition and rehabilitation of the property located at 50/52/56 Ninth Streets.

SUMMARY: In June 1996, the City provided \$149,000 to Riverviews for the acquisition/redevelopment of the property at 50/52/56 Ninth Street (the former Craddock Terry building). The funding consisted of:

1. \$100,000 - Clean Sites Grant from Commonwealth of Virginia
2. \$21,000 - Community Development Block Grant (CDBG) Forgivable Loan
3. \$28,000 - Urban Development Action Grant (UDAG) Program Income Loan

In June 1999 Riverviews began repaying the UDAG loan (\$28,000). This project was approved as a CDBG-eligible project and was funded with UDAG program income. There is a loan agreement that holds them to a repayment schedule. If the loan is not forgiven, the payments will continue through until June 1, 2010, unless the loan is paid in full prior to that date.

Riverviews is requesting forgiveness of this loan so that they can close on the commercial loan they are seeking for the renovation of the Craddock Terry building. Riverviews has indicated that forgiveness of this loan will decrease the agency's gap in balancing their budget, which is a requirement for the commercial loan.

Under the UDAG program guidelines, City Council may forgive this loan and forfeit the program income of the remaining balance for future CDBG eligible projects.

Staff recommends that this loan be forgiven. Completion of this rehabilitation project will greatly enhance and support the continued efforts for the downtown/riverfront redevelopment.

PRIOR ACTION(S): June 4, 2002 – Finance and Planning Committee

FISCAL IMPACT: If the UDAG loan is forgiven, there will be \$22,980.91 less available for distribution to other CDBG eligible projects.

CONTACT(S): Rachel Flynn – 847-1435 – Ext. 253; Melva Walker – 847-1435 – Ext. 252

ATTACHMENT(S):

Letter of request from Riverviews

REVIEWED BY:

RESOLUTION

BE IT RESOLVED by the Council of the City of Lynchburg that the \$28,000 UDAG loan, with a remaining balance of \$22,980.91, approved for Riverviews in June 1996 for the acquisition and rehabilitation of the building located at Ninth and Jefferson Streets is forgiven and the Deed of Trust dated June 14, 1996 between Riverviews and the City for this loan is authorized to be released with no further financial obligation on behalf of Riverviews;

BE IT FURTHER RESOLVED by the Council of the City of Lynchburg that in the event Riverviews uses the building located at Ninth and Jefferson Streets as security for a loan and the lender has to foreclose on the property to secure repayment of the loan the restriction contained in the section entitled "Restrictions on Use" in paragraph 1. of the June 14, 1996 Agreement between the City and Riverviews, which Agreement is of record in the Office of the Clerk of the Lynchburg Circuit Court in deed book 960 at page 496, requiring that the property be used "exclusively as space for artists' studios, artists' residences, arts-related activities, and cultural and historic activities" is hereby waived and the purchaser of the property at the foreclosure sale may use the property for all lawful purposes permitted by the City's zoning ordinance;

BE IT FURTHER RESOLVED that the aforesaid language in paragraph 1. of the June 14, 1996 Agreement is hereby amended as follows "The Property shall be used by Riverviews, and any successor in interest, primarily as space for artists' studios, artists' residences, arts-related activities, cultural and historic activities and other similar and comparable uses" and this language is also approved as substitute language for Section Three, Restrictions on Warehouse, paragraph (a), of the June 14, 1996 Riverviews Project Loan Agreement between the City and Riverviews;

BE IT FURTHER RESOLVED by the Council of the City of Lynchburg that the City hereby waives its right of first refusal as set forth in the June 14, 1996 Agreement between the City and Riverviews in order that Riverviews can transfer the building located at Ninth and Jefferson Streets to a limited liability company to enable the renovation of the building to qualify for historic tax credits and to allow the residential and studio units in the building to be sold to third parties. Except as modified by this resolution the City retains its right of first refusal for the building; and

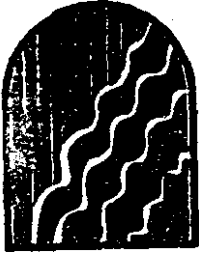
BE IT FURTHER RESOLVED that the City Manager and the City Attorney are hereby authorized to prepare, execute, and deliver any documents as may be necessary to carry out the purposes of the this resolution.

Adopted:

Certified:

Clerk of Council

135L



R-I V E R V I E W S

P.O. BOX 526.50 NINTH STREET. LYNCHBURG. VA 24505
Phone: 804-847-7277 . Fax: 804-847-8755 • Email: RIVERV1@AOL.COM

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May 19, 2002

Melva C. Walker
Administrative and Grants Coordinator
Lynchburg Dept. of Community Planning and Development
Post Office Box 60
Lynchburg, Virginia 24505

Dear Ms. Walker:

The Board of Directors of Riverviews requests the forgiveness of a \$28,000 loan, which we borrowed from the City of Lynchburg in June 1996. Pertinent information about this loan includes:

1. This loan was used, along with other moneys to buy the Craddock-Terry Building on the Corner of Ninth and Jefferson Streets.
2. Other moneys include \$100,000. Clean Sites Grant from the State of Virginia, \$35,000 raised by the Riverveivs board, a \$2 1,000 Community Development Block Grant (CDBG) forgivable loan.
3. The subject loan for \$28,000 was funded from UDAG funds. Use of UDAG program income is for CDBG eligible projects.
4. Payments by Riverviews at \$270. /month began June, 1999 and will continue through June 2010 unless the loan is forgiven or paid in full.
5. As of May, 2002 Riverviews has paid to the City of Lynchburg a total of \$9,733.68. The balance remaining on this loan is approximately \$ 23,000.
6. Riverviews asks that this balance be forgiven because:

Riverviews is very close to closing our bank loan with BB&T. We expect to start renovation of the Craddock-Terry building this summer. In order to close we have to have a balanced budget and at this time we have a gap of \$30,000 (more expenses than income) We have cut our expenses to the core, lowering our cost of contingency and taking out all visible cushion. Forgiveness of the remaining loan amount \$23,000 would enable us to decrease this gap in our budget to \$7000.

We would appreciate your consideration of this request at your earliest convenience. Thank you for your continuing support

We are ready and **anxious to start** as soon as possible on **this** project which we believe to **be a cornerstone** for downtown revitalization.

Sincerely,

Louise P. Gregory, President
Riverviews Board of Directors

RECEIVED

MAY 20 2002

COMMUNITY PLANNING
& DEVELOPMENT